

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 AEC-05 AID-05 CEA-01

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SP-02 SS-15 STR-01 TRSE-00 FRB-03 PA-01 PRS-01 USIA-06

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FM AMEMBASSY LIMA

TO XSECSTATE WASHDC 3869

INFO AMEMBASSY CARACAS

CONFIDENTIAL LIMA 1169

EO 11652: GDS

TAGS: ENRG, PFOR, PE, VE

SUBJECT: PERUVIAN-VENEZUELAN RELATIONS, AND THE OIL DEAL

REFS: CARACAS 1422, LIMA 923, LIMA 865 (NOTAL)

1. ACCORDING TO OUR CALCULATIONS, BASED ON THE INFORMATION IN CARACAS 1422, THE VENEZUELAN AGREEMENT TO FURNISH PERU WITH 20,000 B/D OF CRUDE WILL SAVE PERU ABOUT \$55 MILLION IN 1975 ON ITS CRUDE OIL IMPORT ACCOUNT. WE HAD ESTIMATED (LIMA 865) PERU'S TOTAL IMPORT CRUDE OIL COSTS FOR 1975 AT \$173 MILLION, BASED ON ITS NEEDS FOR APPROXIMATELY 35,000 B/D, USING A \$13.50 PRICE WHICH WAS THE AVERAGE PERUVIAN IMPORT PRICE FOR 1974 (IMF ESTIMATE). THE \$55 MILLION DOES NOT INCLUDE THE INTEREST ON THE DEFERRED OIL DEBT, SO THE ACTUAL SAVINGS TO PERU MAY BE SOMEWHAT LESS THAN THAT FIGURE.

2. COMMENT: FROM THE TERMS OF THE AGREEMENT, IT APPEARS THAT THE GOV HAS ACCEPTED PERUVIAN ASSURANCES THAT THERE ARE SUFFICIENT PROVEN RESERVES IN THE JUNGLE
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TO BE ABLE TO COUNT ON PARTIAL REPAYMENT IN OIL. THE

DEFERRAL FOR REPAYMENT FOR TWO YEARS CLEARLY IMPLIES THAT THE GOP DOES NOT BELIEVE THE TRANS-ANDEAN PIPE-LINE WILL BE PRODUCING SUFFICIENT QUANTITIES BY 1976. WHICH REMAINS THE OFFICIAL PUBLIC TARGET DATE FOR COMPLETION OF THE LINE. NO PUBLICITY TO DATE HAS YET APPEARED IN THE PERUVIAN PRESS, BUT THIS MAY BE DUE TO THE FACT THAT FINAL DETAILS REMAIN TO BE WORKED OUT.

3. FROM THE PERUVIAN POINT OF VIEW, THE DEAL IS CLEARLY ADVANTAGEOUS, AT LEAST IN THE SHORT RUN, AND MUST BE SEEN AS ANOTHER FEATHER IN THE CAP OF MINES MINISTER FERNANDEZ MALDONADO. COMING ON THE HEELS OF THE GOP'S SUPPORT FOR THE GOV ON THE TRA ISSUE, IT ALSO SERVES TO FURTHER SOLIDIFY COOPERATION BETWEEN THE TWO COUNTRIES.

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